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## 1st Fortnight October 2019 inflation forecast: Non-core inflation back from lowest levels.

- **Based on our price monitor, we expect 1F October 2019 headline inflation at 0.43%, with core and non-core inflation at 0.19% and 1.2%, respectively** (see Figure 1 and Table 1).
- Accordingly, incidences of the core and non-core components in our headline inflation forecast are 0.14 and 0.29 percentage points (pp), respectively (see Figure 2 and Table 1):<sup>1</sup>
  - a. **Within the core component, increases in both Food, beverages and tobacco and Other services prices (of 0.06pp and 0.05pp, respectively) stand out.**
  - b. **Within the non-core component, an increase in Electricity prices, triggered by seasonal effects, contributes to the uptick of 0.29pp in Energy prices.**
- Our 12-month headline inflation forecast thus adjusts up from 3.01% to 3.04%, driven by increases in both core and non-core inflation, from 3.72% to 3.74%, and from 0.84% to 0.95%, respectively.

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<sup>1</sup> The sum of incidences can differ from the headline number due to rounding effects.

Figure 1. 1F October's inflation (%)

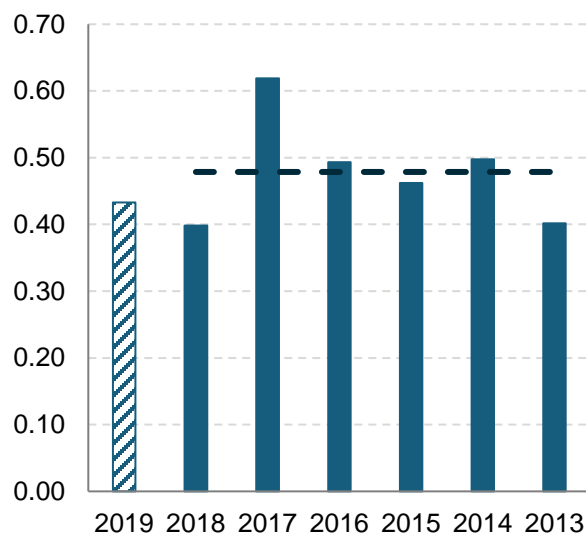


Figure 2. Inflation incidences (pp)

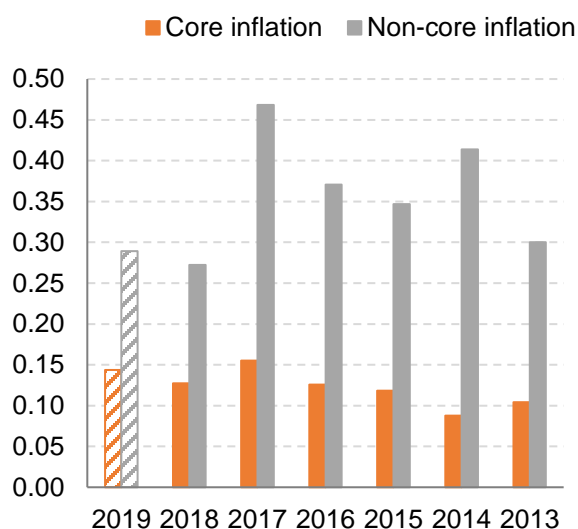


Table 1. 1F October's inflation: Forecast and past prints

CPI	Bi-weekly variation (%)			Bi-weekly contribution (%)		
	Forecast Finamex	Observed		Forecast Finamex	Observed 1F Oct 2019	Difference
		1F Oct 2019	1F Oct 2018			
<b>Headline CPI</b>	<b>0.43</b>	<b>0.40</b>	<b>0.62</b>	<b>0.43</b>		
<b>Core</b>	<b>0.19</b>	<b>0.17</b>	<b>0.21</b>	<b>0.14</b>		
<b>Merchandise</b>	<b>0.20</b>	<b>0.14</b>	<b>0.13</b>	<b>0.08</b>		
Food, beverages and tobacco	0.28	0.11	0.16	0.06		
Non-food merchandise	0.11	0.16	0.11	0.02		
<b>Services</b>	<b>0.18</b>	<b>0.20</b>	<b>0.27</b>	<b>0.07</b>		
Housing	0.10	0.07	0.10	0.02		
Education (tuitions)	0.01	0.00	0.01	0.00		
Other services	0.29	0.37	0.54	0.05		
<b>Non-core</b>	<b>1.20</b>	<b>1.10</b>	<b>1.86</b>	<b>0.29</b>		
<b>Agriculture</b>	<b>-0.09</b>	<b>-0.49</b>	<b>-1.52</b>	<b>-0.01</b>		
Fruit and vegetables	-0.76	-0.75	-3.46	-0.03		
Livestock	0.44	-0.28	-0.24	0.03		
<b>Energy and government approved fares</b>	<b>2.15</b>	<b>2.21</b>	<b>4.07</b>	<b>0.30</b>		
Energy	3.01	3.09	4.43	0.29		
Government approved fares	0.21	0.10	3.38	0.01		

-The sum of the components among a subindexes may have differences due to rounding.

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